

NOT RATED**SOM DISTILLERIES & BREWERIES**

| Alcoholic beverages

| 09 January 2025

Distribution gains and local supply driving growth

- Som distilleries and breweries holds a ~12% market share of the 190m case strong beer segment in the markets where it operates
- The company expects to grow sales 25%-30% over a period of 3Yrs driven by share gains in core and new territories
- Som is looking to grow its market share further by setting up new plants, buying new beer facilities, or using contract manufacturing

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The Indian beer opportunity and Som's exposure: Som estimates the FY24 Indian beer market at 370m cases. Of this, 75%-80% is strong beer – a key area of strength for Som. The company is present in 18 states with industry volume at 250m (Strong beer 190m). In terms of portfolio, Som has offerings across price points with key brands Hunter, Black Fort, and Power Cool selling 1m+ cases pa.

Market share gains driving sales growth for Som: In FY24, Som derived 93% of sales (96% of volumes) from beer and the rest from IMFL. Beer volumes have grown at a 3Yr CAGR of 63%. The brewer has rapidly gained market share in its local manufacturing states of MP, Karnataka, and Odisha. The company expects to drive future growth (1) via share gains in core markets, and (2) by replicating the success in Karnataka and Odisha by setting up local supply.

Potential of new territories: Outside of Som's brewery states; Andhra, Telangana, UP, Tamil Nadu, Maharashtra, West Bengal and Rajasthan are the other major markets. Som has still not established its presence in volume states of Telangana, Tamil Nadu, Andhra and Maharashtra. UP and Rajasthan are currently supplied from the Bhopal brewery. Broadly, in terms of supply, Som's markets in South are from Karnataka; East from Odisha and West / North from MP.

Cost savings on local manufacturing: Som expects a gross margin accretion of 350-400bps with a move to local supply. Savings from export and import tax along with reduced freight/breakage are the main drivers. These savings provide headroom for competitive pricing, enabling a firm base for share gains.

Earnings outlook: The company reiterated FY25 guidance at Rs15-16bn (+17-25% YoY) sales with EBITDA +30% YoY on 12%-13% margins. Over 3Yrs, Som expects 25-30% sales CAGR on 12-13% EBITDA margins. The company is focused on topline growth even though market penetration requires higher cost new bottles which account for ~60% of the ingredient COGS.

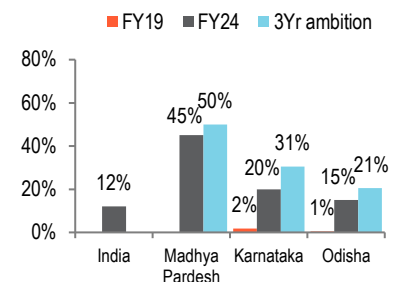
Ticker/Price	SDBL/Rs 116
Market cap	Rs 22,693mn
Free float	64%
52wk high/low	Rs 149/Rs 85
Promoter/FPI/DII	35.3%/0.56%/0.01%

Source: NSE | Price as of 8 Jan 2025

Key financials

Y/E 31 Mar	FY22A	FY23A	FY24A
Total revenue (Rs mn)	3,628	8,067	12,807
EBITDA (Rs mn)	169	1,021	1,495
Adj. net profit (Rs mn)	(98)	603	853
Adj. EPS (Rs)	(1)	8	11
Adj. EPS growth (%)	-	n/m	32

Source: Company, Bloomberg, BOBCAPS Research

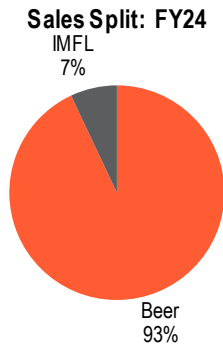
3Yr outlook for core territories (90+% of company sales)

Sources: Company reports, BOBCAPS Research



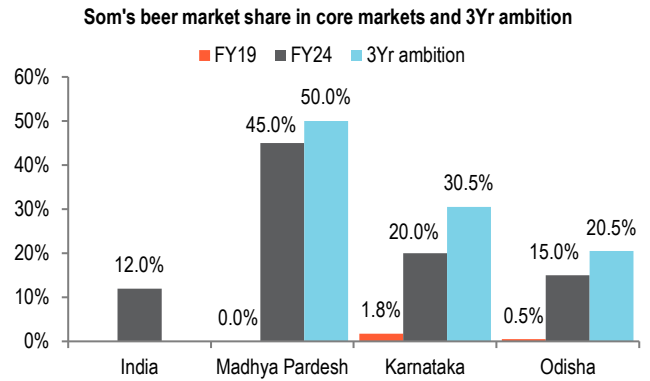
Som Distilleries & Breweries: Snapshot

Fig 1 – Sales Split: FY24



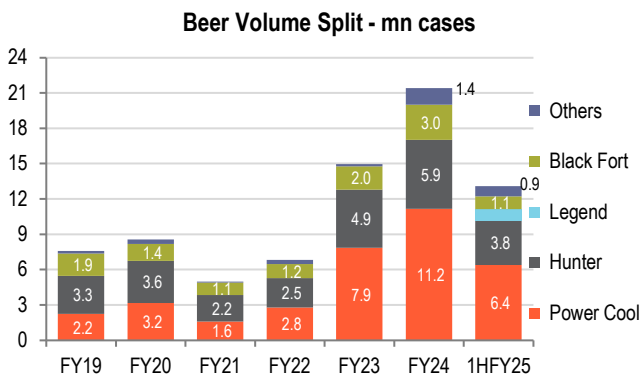
Source: Company reports, BOBCAPS Research

Fig 2 – SOM: Beer market share in core markets and 3Yr ambition



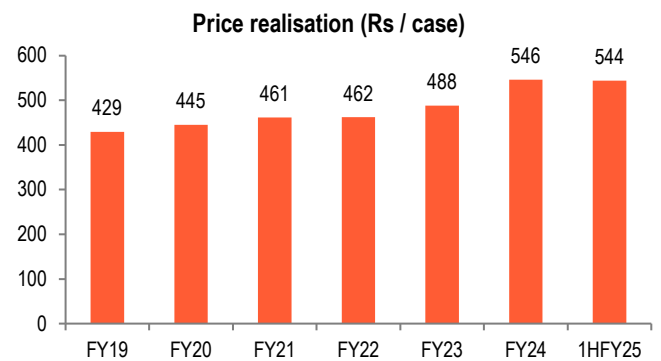
Sources: Company reports, BOBCAPS Research

Fig 3 – Beer volume split (FY19-1H25)



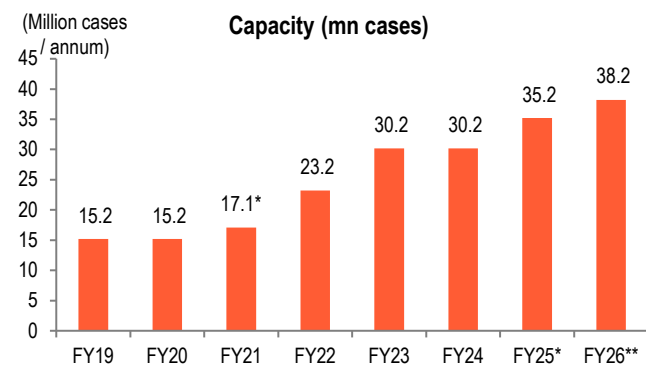
Sources: Company reports, BOBCAPS Research

Fig 4 – Beer price realisation (FY19-1H25)



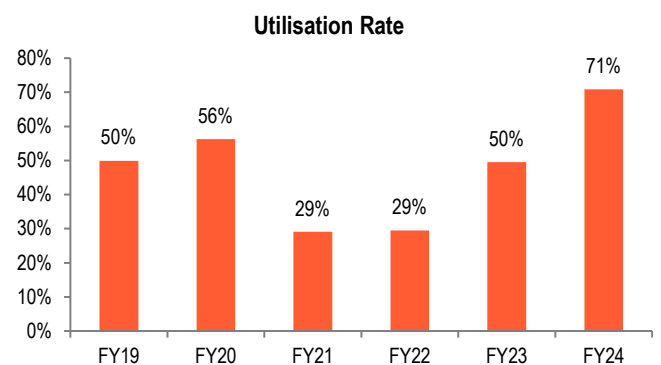
Sources: Company reports, BOBCAPS Research

Fig 5 – Beer production capacity (FY19-FY26)

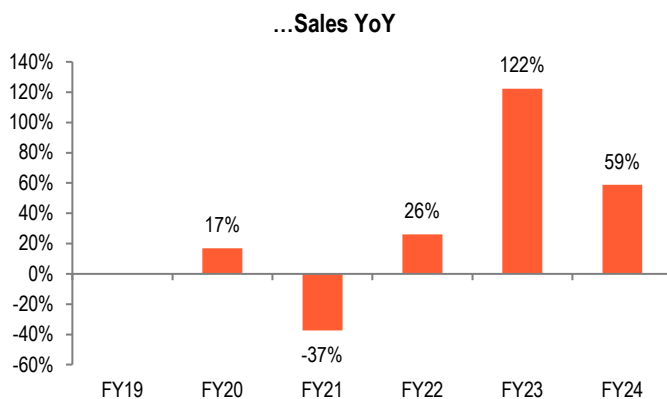


Sources: Company reports, BOBCAPS Research | *Includes additional capacity at Hassan, ** includes additional capacity at Odisha

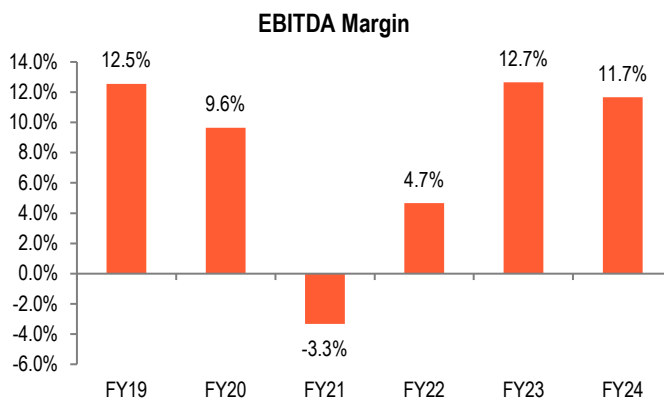
Fig 6 – SOM: Utilisation Rate (FY19-FY24)



Sources: Company reports, BOBCAPS Research

Fig 7 – Sales Growth

Sources: Company reports, BOBCAPS Research

Fig 8 – EBITDA Margin

Sources: Company reports, BOBCAPS Research

Fig 9 – SOM Financial summary (FY19-FY24)

(Rs mn)	FY19	FY20	FY21	FY22	FY23	FY24
Sales	3,933	4,599	2,876	3,628	8,067	12,807
...YoY (%)	-	17	(37)	26	122	59
EBITDA	493	443	(96)	169	1,021	1,495
...YoY (%)	-	(10)	(122)	(276)	504	46
EBITDA Margin (%)	12.5	9.6	(3.3)	4.7	12.7	11.7
...YoY (bps)	-	(290bps)	(1,297bps)	799bps	800bps	(99bps)

Sources: Company reports, BOBCAPS Research

Fig 10 – Beer capacity utilisation rates (FY19-FY24)

Beer utilisation rates	FY19	FY20	FY21	FY22	FY23	FY24
Hassan (Karnataka) Plant	3.4	3.4	3.4	3.8	9.0	9.0
Bhopal Plant	7.6	7.6	9.5	15.2	15.2	15.2
Odisha Plant	4.2	4.2	4.2	4.2	6.0	6.0
Capacity (mn cases)	15.2	15.2	17.1*	23.2	30.2	30.2
Volume sold (mn cases)	7.59	8.55	4.97	6.83	14.96	21.40
Utilisation Rate (%)	50	56	29	29	50	71

Sources: Company reports, BOBCAPS Research | * Capacity at the Hassan / MP plant was doubled in 4QFY21

Fig 11 – Key ratios

Key ratios (%)	FY19	FY20	FY21	FY22	FY23	FY24
Revenue growth	-	17	(37)	26	122	59
Gross margin	49	47	42	43	40	35
EBITDA margin	13	10	(3)	5	13	12
EBIT margin	10	7	(8)	0	11	10
ROCE	10	7	(6)	0	14	17
Working Capital to sales	71	70	101	74	48	42
Gross debt to equity*	48	62	63	68	65	28
Net debt to EBITDA** (x)	2.51	3.90	(16.91)	11.03	2.25	1.02

Sources: Company reports, BOBCAPS Research | *(Short term debt + Long term debt) / Shareholders equity, ** (Short term debt + Long term debt - Cash) / Adjusted EBITDA

Fig 12 – Som Distilleries and Breweries Financial Statements

Income Statement	FY19	FY20	FY21	FY22	FY23	FY24
Total revenue	3,933	4,599	2,876	3,628	8,067	12,807
EBITDA	493	443	(96)	169	1,021	1,495
Depreciation	88	117	134	168	170	213
EBIT	406	327	(229)	1	851	1,281
Net interest income/(expenses)	(124)	(154)	(187)	(154)	(160)	(119)
Other income/(expenses)	35	36	26	27	13	57
EBT	316	209	(390)	(125)	704	1,219
Income taxes	119	59	(10)	(27)	101	354
Reported net profit	197	150	(381)	(98)	603	853
Adjusted net profit	197	150	(381)	(98)	603	853
Balance Sheet	FY19	FY20	FY21	FY22	FY23	FY24
Accounts payables	635	868	893	693	1,102	1,190
Other current liabilities	1,479	1,396	1,522	1,374	1,247	2,422
Provisions	123	103	68	11	116	284
Debt funds	1,488	1,989	1,779	1,973	2,422	1,665
Other liabilities	34	11	35	47	478	203
Equity capital	325	325	325	350	369	390
Shareholders' fund	3,107	3,199	2,818	2,896	3,754	5,931
Total liabilities and equities	6,865	7,567	7,115	6,994	9,118	11,695
Cash and cash eq.	247	219	145	95	120	128
Accounts receivables	1,190	1,300	1,315	1,158	1,421	2,378
Inventories	953	1,039	684	845	1,353	1,823
Other current assets	732	678	645	586	1,000	1,227
Net fixed assets	3,554	4,128	4,156	4,052	4,879	5,728
Intangible assets	9	10	8	6	4	2
Other assets	180	192	161	97	191	409
Total assets	6,865	7,567	7,115	6,994	9,118	11,695
Cash Flow Statement	FY19	FY20	FY21	FY22	FY23	FY24
Net income + Depreciation	404	326	(257)	42	875	1,433
Interest expenses	124	154	187	154	160	119
Changes in working capital	(813)	36	365	(203)	(362)	(1,339)
Other operating cash flows	324	(107)	47	110	(529)	763
Cash flow from operations	39	409	342	103	143	975
Capital expenditures	(1,955)	(667)	(160)	(68)	(994)	(1,061)
Other investing cash flows	(17)	(36)	31	8	(90)	(68)
Cash flow from investing	(1,972)	(703)	(129)	(60)	(1,084)	(1,129)
Equities issued	1,350	-	-	175	272	1,312
Debt raised/repaid	738	501	(136)	(119)	449	(757)
Dividends paid	(50)	(57)	11	(7)	(18)	(0)
Other financing cash flows	(114)	(177)	(163)	(141)	271	(394)
Cash flow from financing	1,925	267	(288)	(93)	973	161
Changes in cash and cash eq	(9)	(27)	(75)	(50)	37	6
Closing cash and cash eq	247	219	145	95	120	128

Source: Company reports, BOBCAPS Research

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